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months. Only four point up toward further expansion and two are moving sideways.

Overall, this box score is actually slightly less optimistic than one compiled in a similar review of the leaders in this column on July 17. At that time, six of the 12 leaders pointed up and six pointed down.

Among the key indicators that point down are some that most economists regard as especially reliable forerunners of overall business activity. One is the statistical series measuring new factory orders for durable goods. The volume of these orders dropped in August for the second straight month. The record for new orders was set all the way back in September 1966. Another yardstick that has recently turned down is the series that measures contracts and orders for new plant and equipment. Other leaders pointing toward slower business are job placements in nonagricultural industries, net new business formations, the net change in consumer installment debt and the ratio of prices to unit labor costs in manufacturing.

The leading indicators that suggest business will continue to expand are the average workweek of production workers, the change in the book value of manufacturing and trade inventories, corporate profits after taxes and stock prices, which on average have been higher in September so far than in August. The indicators that point approximately sideways are industrial material prices and new private housing permits.

The recent overall performance of the key leading indicators, it is noteworthy, isn't the only bit of evidence suggesting business may not necessarily be entering a boom period. Among other factors, of course, is the strike at Ford Motor Co., which started early this month, after the latest reporting period for most of the key indicators. The Ford shutdown, while not an overriding influence in the general economy, undoubtedly will tend increasingly to slow overall business as it goes on.

In this connection, a top economist at the Federal Reserve Board estimates that the impact of the strike will "knock about two points" off this month's industrial production index. Partly for this reason, the economist predicts that the country's output index, which stood at 158% of the 1957–59 base in August, will decline in September. "There's hardly any question about it," the economist says. As the Ford strike continues, he adds, "more and more firms that supply Ford will be forced to cut back operations."

The Federal Reserve official also notes that some "very special factors" contributed to August's 1.3-point rise in industrial production. Roughly half the increase, he says, can be traced to a sharp rise in crude oil production because of curtailment of Mideast supplies. Now, with more oil flowing from the Arab states, crude oil output is running below the high August levels. Other special factors, the economist says, included sharp output gains in the rubber and electronics industries following strikes.

Taking such considerations into account, and allowing for new plant facilities now coming on stream, the Government analyst reckons that U.S. manufacturers currently are using only about 85% of their full production potential, no higher than in the year's second quarter when there was far less talk about inflation. And—the recent speedup in consumer prices notwithstanding—economic history shows that troublesome, sustained inflation is rare when plant operations drop much below 90% of capacity.

ANALYSIS OF SECRETARY McNAMARA'S TESTIMONY ON THE BOMBING OF NORTH VIETNAM

Mr. FULBRIGHT. Mr. President, in the "Talk of the Town" feature of the September 16 issue of New Yorker magazine, there is a perceptive commentary on Secretary McNamara's testimony before the Senate Preparedness Subcommittee on the policy of bombing North Vietnam.

After examining Secretary McNamara's testimony in the light of the announced objectives of the bombing policy, the writer concludes:

The Secretary . . . has told the careful reader that, even putting moral considerations aside, the bombing is not worth its enormous cost in men and planes, its alienation of our allies, the incredulity or disgust it has aroused throughout the world, or its undeniable diminution of chances for a negotiated settlement.

I ask unanimous consent to have the article printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the Record, as follows:

NOTES AND COMMENT

Perhaps because it is encased in the stolid monotone of Pentagon-committee language, Secretary McNamara's testimony before the Senate Preparedness Subcommittee on the bombing of North Vietnam has not been generally greeted as the astounding document it is. The Secretary himself has helped to dull reaction by omitting the obvious conclusions to be drawn from his analysis. As a result, the "debate between McNamara and the generals" has been understood to involve an arugment over the wisdom of further escalation, whereas in fact the McNamara statement cuts the heart out of the military case for bombing North Vietnam at all. Since our stated national objectives do not include the overthrow or destruction of North Vietnam, the only military justification for the bombing is that it will shorten the war in the South, or, at least, reduce the war's cost, in life and money, and McNamara has virtually demonstrated that it does neither.

Three claims are basic to the official rationale. The first is that the bombing slows down the infiltration of men and supplies into the South. Yet the Secretary points out that no level of bombing short of complete obliteration can keep the North Vietnamese from supplying and reinforcing their troops in the South, either at the current level or at a much higher one. The reason has been clear to almost every outside observer for a long time. North Vietnam does not manufacture weapons. It is not the source of supply. It is simply a rather sprawling way station for goods on their way from the Soviet Union and China. Tens of thousands of tons of matériel must be moved through North Vietnam each day simply to keep the country going. Yet, as McNamara indicates, only between one hundred and two hundred tons—a few dozen truckloads—a day, at the most, is needed to supply the conflict in the South. As long as North Vietnam gives top priority to this vital but tiny trickle, there is no way to halt it. To attempt to do so by bombing is a little like building Grand Coulee Dam to stop a leaky faucet. Moreover, the infiltration has been steadily increasing. When the bombing began, there were four hundred North Vietnamese regulars in the South; now there are more than forty thousand, and no evidence exists that there is any limit on further increases except the limit imposed by Hanoi's tactical judgment.

The second claim, or hope, is that bombing may break the will of the North Vietnamese and bring them to the conference table—or, even better, force them to give up. All the evidence, including the reports of detached observers, is that Hanoi is less inclined to enter into negotiation now than it was in early 1965. Bombing seems to have the same effect on Asians that it had on Anglo-Saxons; by making the victims angry, it stiffens their determination and unifies the national will. The Secretary admits as much when he states that we can never bomb "the other side" to its knees.

Having knocked down the two major supports for the bombing, the Secretary does assert that it is serving the third purpose: to make the war more costly and painful for the North Vietnamese. As an example, he produces the now classic figure of five hundred thousand North Vietnamese compelled to leave civilian occupations in order to repair bomb-torn roads, railroads, and so on. The bombing *is* costly (and to both sides). But, simply as a matter of logical analysis, this statement is meaningless unless one can show that the increased cost hampers North Vietnam's ability to make war, either immediately or over a long period. Every indication is that it doesn't. North Vietnam is basically a rural country, with only a few factories, many of which are now gone. An agricultural economy cannot be destroyed from the air. The increased Soviet aid alone since early 1965 is four or five times the estimated bombing damage. And food received from the various allies of North Vietnam more than makes up for any loss in production caused by the diversion of those five hundred thousand workers. A good case could be made for the contention that, except in terms of human life, North Vietnam is showing a profit. Even the most militant among us have failed to produce evidence of food shortages or other economic distress in the North. If every time your rent was raised your pay was increased even more, living would be more costly, but it would be hard to claim that a worsening financial situation required you to leave your home.

Almost every expert, military or nonmilitary, who is not personally involved in conducting the war has come up with the same analysis. Included are Generals Ridgway and Gavin, former Marine Commandant Shoup, and a large group of the country's most distinguished scientists who spent months studying the problem. For this logic now to be publicly adopted by the Secretary of Defense is a remarkable acknowledgment of its accuracy, since he favored the bombing initially and has supported nearly every step in its escalation—at least, until recently. Both the available recollections of insiders and the public record point to Secretary McNamara as one of the three men who must share the principal responsibility for transforming a political and economic conflict first into a military struggle and then into an American war. The others, of course, are Secretary Rusk and President Johnson. Now the Secretary of Defense, by indirection, has told the careful reader that, even putting moral considerations aside, the bombing is not worth its enormous cost in men and planes, its alienation of our allies, the incredulity or disgust it has aroused throughout the world, or its undeniable diminution of chances for a negotiated settlement. The bombing is militarily ineffective. It is unfortunate that McNamara, having just offered a powerful argument for not bombing any targets whatever, did not come out and say so but, instead, chose to assert that we should not bomb many more targets. However, in days when no distinction is made between fact and rhetoric, and both are being constantly reshaped to meet the political and propaganda needs of the moment, even a little bit of intellectual honesty about the war, mired though it may be in the familiar, deceptive confusion, still manages to shine with an unexpected, heartening light.

MR. McNAMARA FACES BOTH WAYS

Mr. FULBRIGHT. Mr. President, I also ask unanimous consent to have printed in

Approved For Release 2006/01/30 : CIA-RDP70B00338R000300110002-1

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the RECORD as a part of my remarks the lead editorial in the St. Louis Post-Dispatch of September 20, 1967, entitled "Mr. McNamara Faces Both Ways."

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

MR. MCNAMARA FACES BOTH WAYS

Secretary McNamara at San Francisco Monday made an eloquent and powerful appeal for "rational discussion and decision making" on nuclear strategy—and concluded with the announcement of a decision which seems anything but rational.

The decision is to proceed with production and deployment of a "light" anti-ballistic missile defense intended primarily to protect us against China. Mr. McNamara had argued vigorously against the decision only a few months ago. In our view he falls short of giving adequate rational grounds for it now.

To much of his speech, one of the most important he has made, no exception can be taken. With measured and irrefutable arguments he destroys any case for building a "heavy" ABM system designed to protect us against Russian nuclear power. Our protection, he says, lies in our offensive missile superiority, which is now on the order of three or four to one, and which assures us for the foreseeable future of the power to wipe out any enemy or combination of enemies even after absorbing a surprise attack.

Building a "heavy" ABM system, Mr. McNamara persuasively argues, would not provide an impenetrable shield. What it would provide is an incentive for the Soviets to multiply their own offensive forces, thus triggering "a senseless upward spiral of nuclear arms." At the end of this new stage in the arms race, both sides would be essentially where they were before. After wasting vast resources, each would still lack the power to wipe out the other with a first strike, but each would still possess the power to destroy the other in a retaliatory second strike. Surely he is right in concluding that in these circumstances what the world needs is not a new race of nuclear arms, but "a new race towards reasonableness."

Yet it is hard to agree that he and the Administration are racing towards reasonableness by deciding to build, if not a "heavy" ABM system against Russia, a "light" ABM system against China. The decision seems to be dictated not by reason but by political and military pressures. Mr. McNamara's effort to justify it simply does not carry conviction.

The Secretary says China may have a "modest" nuclear force by the mid-70s, and a small ABM system would enable us to deter China from using it for "nuclear blackmail" in Asia. But ABMs on American soil are not going to protect Formosa or Vietnam or India from Chinese missiles. As Mr. McNamara himself cogently argues with respect to Russia, the real protection, the real deterrent, lies not in ABMs of questionable effectiveness but in our power to destroy an enemy in retaliation for a nuclear attack anywhere.

Mr. McNamara argues also that a "light" ABM system would incidentally strengthen defense of our missile bases against Soviet attack, but since he has previously argued that a "heavy" system would not strengthen those defenses enough, this must be considered a weak rationalization. He says there would be some degree of protection of our population against an accidental missile launch somewhere in the world; but the only way to gain any population protection of meaningful proportions would be to surround every city with ABMs, and this he does not propose to do.

Mr. McNamara is quite right in warning that we must guard against pressures to expand his "light" system into the "heavy" one which, as he says, would accelerate the "mad momentum" of the nuclear arms race. But where he hopes to have relieved those pressures we fear he has only encouraged them. Already militarist Congressmen are proclaiming his decision as but the first step, the foot in the door. At the next stage we expect to hear them proclaiming how absurd it is to build a little ABM defense against a minor nuclear power like China when what is needed is an enormous ABM defense against Russia. Having yielded a little, Mr. McNamara will find it very hard not to yield more.

The Secretary, far more than many others, has faced up to the awful realities of the nuclear age, and grasped the folly of endless escalation of overkill capacity. But he does not follow the logic of his own conclusions. Just as in Vietnam he marshals an overpowering case against the effectiveness of bombing the North, yet presides over the bombing and each stage of its escalation, so in this case he destroys any rational grounds for building an ABM system light or heavy, and yet winds up building one. What are, we wonder, his basic principles?

A SLUR ON INTER-AMERICAN BANK

Mr. FULBRIGHT. Mr. President, I approve of the editorial published in the New York Times of September 23 regarding the Inter-American Development Bank, and ask unanimous consent to have it printed in the RECORD as a part of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

A SLUR ON INTER-AMERICAN BANK

The Inter-American Bank is one of the pioneering institutions in development finance. Congress has recognized the commendable job it has done for the Alliance for Progress by continuing to approve sizable contributions to its operations. But the demand of the United States Congress that the bank be subjected to a special audit may well be interpreted as a slur on its dedicated staff and on the programs it has sponsored in Latin America.

It is doubtful that Congress intended to cast aspersions on this estimable institution or to inflame its Latin-American members. But, as it did in denying Britain the right to bid on construction of some Navy minesweepers, Congress through such petty actions is jeopardizing this country's friends.

Indeed, there is a real danger that Latin-American contributors will retaliate by also demanding expensive audits of their own. It would not be surprising if other foreign countries sought to examine the books of the International Development Association, the new Asian Development Bank and other international financial institutions. Such offensive tactics could only embitter relations between cooperating countries and make it impossible to keep the high quality personnel now at work.

The Inter-American Bank and other institutions borrowing funds in the market place already undergo scrupulous independent audits. Moreover, they are under the general supervision of the national representatives who sit on their boards. So there is no reason for the United States or any other country to insist on further superfluous inspections. It is too late to reconsider this measure now, but it will hardly win friends and influence for the United States in Latin America.

Mr. FULBRIGHT. Mr. President, I do believe, however, that it would be a service to the public to be told the full story, which is that the Senate deleted the Selden amendment requiring the audit; that the administration did not object; that the House rejected the conference report, which did not include this amendment. The House vote was about 2 to 1 in rejecting the conference report.

In short, the Senate did all that it reasonably could to prevent this slur upon the Inter-American Bank management, but was overridden by the House of Representatives with the tacit support of the administration.

MUST AMERICAN BOYS CONTINUE TO DIE TO KEEP SAIGON POLICE STATE IN POWER?

Mr. GRUENING. Mr. President, the leading editorial of the Washington Post this morning is entitled "Retrogression in Saigon." In it, the comment is made that the recent midnight raid and subsequent arrest and detention of former Finance Minister Thanh for 18 hours "did not quite jibe with that glowing firsthand report of the President's special commission gave us of democracy burgeoning bravely in a war-torn land."

There has been no retrogression in Saigon.

The Government of South Vietnam was a police state before the rigged elections of September 3, 1967.

The rigged elections changed nothing. Many of us pointed that out here on the floor on August 11, 1967.

The stage was set well before September 3 with the props all in place—the strictly controlled press, the careful screening of candidates, with the complete elimination from participation of popular candidates who posed too great a threat to the military junta—the eligible electorate screened with equal care—duplicate ballots given to the military. Then the curtain was drawn and the President's commission was permitted to watch where, and when only to the extent permitted by the military junta.

The surprise of the Washington Post that with such careful rigging of the election in South Vietnam "instant democracy" did not result from the September 3 elections is really what is surprising.

What else could be expected?

It is to be hoped that the Washington Post will call its editorial to the attention of some of its columnists who seem to be living in a "never-never" land, oblivious to the facts of life.

The Washington Post expresseses the hope that the Government in Saigon "continue to try to advance, rather than retard, some measure of political reform." It warns that without such reforms, "the generals should be on notice that our war effort may suffer, in turn, from an erosion of popular support at home."

I agree with that warning but must point out that all signs indicate that the tide of that eroison grows stronger daily. The question may well be asked: "Must American boys continue to die for that Saigon gang?"

Well, I am asking it. More than 13,000 have already been killed in combat, and 100,000 wounded, many of them crippled for life—blinded, armless, legless, paralyzed. It is positively disgraceful that we continue to pretend we are instilling

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